

MINUTES
Council on Postsecondary Education
Executive Committee and Audit Subcommittee
September 28, 2006

The Executive Committee and the Audit Subcommittee of the Council on Postsecondary Education met by conference call September 28, 2006, at 1 p.m. (ET).

ROLL CALL

The following members participated: Peggy Bertelsman, Dan Flanagan, Ron Greenberg, Jim Skaggs, Joan Taylor, John Turner, and Mark Wattier.

Others participating: Council staff members Tom Layzell, Sandy Woodley, Dennis Taulbee, Sarah Hawker, Reecie Stagnolia, Diann Donaldson, Ed Sergent, Terry Pruitt, and Phyllis Bailey. Allen Norvell with the accounting firm of Moore, Stephens, Potter, LLP, also joined the conference call.

2005-06
AGENCY AUDIT

The purpose of the meeting was to review the financial audit of the Council's programs for fiscal year 2005-06. The audit was conducted by the accounting firm of Moore, Stephens, Potter, LLP.

Mr. Norvell said that the report indicates no findings of noncompliance.

He stated that during the process the auditors became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. Mr. Norvell added that it is customary for auditors to offer comments and suggestions, not only with state agencies but also for-profit and nonprofit organizations. The Memorandum of Comments and Suggestions shared with the committee members outlined these areas:

- (1) Cancer Research Institutions Matching Fund – The 2005 General Assembly raised the cigarette tax from three cents to 30 cents per pack and dedicated one cent of the cigarette tax to finance the matching fund, with half designated to the University of Kentucky and half to the University of Louisville. In order to receive the funds, the two institutions must provide dollar-for-dollar matching funds from external sources, i.e., contributions that originate outside the university and its affiliated corporations. The auditors observed that the Council staff had taken a random sample of checks totaling \$85,000 to verify that UK's matching funds met the statutory requirement. (UofL met all of its matching requirement from one source – the Brown Cancer Research Center.) The auditors suggested that in the future the Council staff either use a larger number of documents or set a dollar threshold for verifying supporting documentation. The Council staff agreed with the suggestion and is in the process of amending the MOA between the Council and each of the two institutions that specifies compliance standards for verifying the match requirements have been met.

Mr. Greenberg asked if the suggestion was to increase the sample size in the future. Mr. Norvell answered yes.

(2) Monitoring of Council Programs – In last year’s financial audit, the auditors suggested that the Council staff improve the extent to which it monitors programs funded through the Council. While reviewing the status of the prior year’s audit, the auditors recognized that the Council staff had made significant improvements in the monitoring process, but suggested that additional procedures could be implemented to ensure all programs are monitored properly. Since last year’s audit, two primary actions have been taken to address the concerns raised: (1) The Council staff has developed a committee to perform a comprehensive review of all pass-through programs to determine whether appropriate performance standards are in place, what those standards should be, and what the proper role of the Council is in assessing the performance of legislatively mandated programs. (2) An associate was hired in the Council’s administrative services unit who created a database for listing and tracking contractual agreements with program providers to ensure compliance with the agreement.

Mr. Greenberg asked if the monitoring of the pass-through programs is still inadequate. Mr. Norvell responded that the process is now adequate.

Mr. Norvell thanked the Council for the opportunity to serve as auditor and thanked the Council staff for their assistance during the audit.

The agency audit will be considered by the Council at its November 6 meeting. Mr. Norvell will attend the meeting to answer questions.

ADJOURNMENT

The meeting adjourned at 1:15 p.m.

Thomas D. Layzell
President

Phyllis L. Bailey
Senior Associate, Executive Relations